

Message Text

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EUR/RPE:ECASEY S/S:MR BRIDGES

TREASURY:JJOHNSTON

COMMERCE:RHARDING

AGRICULTURE:KREYNOLDS

STR:SLANDE (SUBS)

LABOR:JCOYLE (INFO)

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FM SECSTATE WASHDC

TO AMEMBASSY MADRID

INFO USMISSION EC BRUSSELS

C O N F I D E N T I A L STATE 165625

E.O. 11652: GDS

TAGS: ETRD, SP

SUBJECT: GSP: SPANISH FINANCE MINISTER'S VISIT TO
WASHINGTON

1. AS EMBASSY AWARE, DURING RECENT VISIT OF FINANCE
MINISTER VILLAR MIR, MINISTER RAISED QUESTION OF ELIGIBILITY
OF SPAIN FOR GSP. FULL REVIEW OF POSITIONS OF BOTH SIDES
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WAS HELD AT STAFF LEVEL ON MONDAY, JUNE 14 AT WHICH IT WAS

EVIDENT THAT BASIC POSITIONS WERE ESSENTIALLY UNCHANGED. THE SPANISH INDICATED THAT THEY WOULD RETURN TO MADRID AND REVIEW 24 ITEMS STILL OUTSTANDING AND ALSO THE DRAFT LANGUAGE WORKED OUT IN NOVEMBER, WHICH INDICATES THEY WOULD NOT TAKE FUTURE ACTION WHICH WOULD BE LIKELY TO HAVE A SIGNIFICANT ADVERSE EFFECT ON U.S. COMMERCE. WE MADE CLEAR THAT THE NEXT MOVE WAS UP TO THE GOS AND THAT, WHILE WE WOULD WELCOME A NEW RESPONSE FROM GOS, AN ACTUAL RESUMPTION OF CONSULTATIONS SHOULD BE PREDICATED ON A RESPONSE WHICH OFFERED REAL PROMISE OF A FINAL SOLUTION. SPANISH INTEREST IN MATTER RESULTED IN STATEMENT IN COMMUNIQUE THAT WE "AGREED TO CARRY ON FURTHER CONSULTATIONS TO DETERMINE THE NECESSARY STEPS TO QUALIFY SPAIN AS A BENEFICIARY COUNTRY OF THE GSP."

2. WE CONDUCTED REVIEW OF OUR POSITION FOLLOWING LAST U.S.-SPANISH CONSULTATIONS ON GSP IN NOVEMBER. WE FOUND THAT WHILE THERE MIGHT BE SOME FLEXIBILITY ON OUR SIDE WITH RESPECT TO CERTAIN TARIFF ITEMS ON WHICH WE HAD ASKED GOS TO TAKE ACTION (AS INDICATED IN PARA 3H OF 75 STATE 281235), OUR OVERALL ASSESSMENT WAS THAT CONCESSIONS THUS FAR OFFERED BY GOS ARE INSUFFICIENT TO OVERCOME SPANISH INELIGIBILITY UNDER SECTION 502(B)(3) OF THE TRADE ACT AND THIS REMAINS UNCHANGED. IN OUR JUDGMENT, THESE CONCESSIONS ARE NOT SUFFICIENT TO ELIMINATE THE SIGNIFICANT ADVERSE EFFECT ON U.S. COMMERCE FROM THE PREFERENTIAL TREATMENT ACCORDED TO THE EC.

3. IN VIEW OF RECENT DISCUSSIONS IN WASHINGTON AND TO AVOID ANY REPETITION OF LAST YEAR'S APPARENT MISUNDERSTANDING BY GOS OF BASIS FOR USG POSITION, EMBASSY SHOULD DISCUSS THE MATTER WITH BASSOLS AND OTHER APPROPRIATE SPANISH OFFICIALS ALONG THE FOLLOWING LINES:

- A. MATTER WAS DISCUSSED WITH FINANCE MINISTER'S PARTY AT THEIR REQUEST;
- B. USG REMAINS WILLING TO REOPEN CONSULTATIONS AT ANY TIME THAT THE GOS DESIRES;
- C. HOWEVER, OUR OVERALL POSITION MUST BE DETERMINED BY THE REQUIREMENTS OF THE U.S. TRADE ACT.

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D. OUR ASSESSMENT OF THE ADVERSE ECONOMIC EFFECT ON U.S. COMMERCE WHICH RESULTS FROM THE PREFERENCES ACCORDED BY THE GOS TO THE EC ON THE 24 UNRESOLVED TARIFF ITEMS IS BASED ON CRITERIA USED FOR ALL COUNTRIES HAVING REVERSE PREFERENCES WITH EC. IN OUR NEGOTIATIONS WITH SPAIN WE CAN NOT BE EXPECTED TO UNDERMINE OUR POSITION WITH THOSE GOVERNMENTS WHICH HAVE ALREADY ACTED ON THE BASIS OF THE SAME CRITERIA WE ARE USING IN THE CASE

OF SPAIN.

E. IF AFTER REVIEWING ITS POSITION AS PROPOSED BY
THE FINANCE MINISTER, THE GOS BELIEVES THERE IS A BASIS FOR
REOPENING THE CONSULTATIONS, WE WOULD BE PLEASED TO REVIEW
OUR OWN POSITION AND WOULD WELCOME SPANISH SUGGESTIONS AS
TO TIMING. KISSINGER

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